



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JAY B. RISING  
STATE TREASURER

TO: Participating Schools and Lenders

FROM: Toots Lapata-Victorson, Deputy Director

DATE: July 22, 2003

SUBJECT: Educational Loan Notes

### FINANCIAL AID PERSON OF THE QUARTER

Soon after Sandy Tallman graduated from Oakland University she began devoting her career to helping prepare people for the opportunity to become successful in the Michigan workforce. Her initial entry into the field began as a Comprehensive Employment and Training Act (CETA) counselor helping youths develop the necessary job skills to become employable. Three years later Sandy began her career in financial aid as a director at Sawyer School of Business in Warren. After five years as Director of Financial Aid she served as the School Director for another three years.

In 1989 Ross Learning, Inc., a privately owned proprietary school, was looking for a Director of Financial Aid. This corporate-wide responsibility involved overseeing 20 school locations throughout the United States, (17 branches in Michigan, two in Florida, and one in Illinois). Sandy landed the job, and to this day remains the Director of Financial Aid of Ross Medical Education Center with 14 locations -- ten in Michigan and two each in Florida and Georgia. In 1996 Ross Learning, Inc. made the decision to focus their training and exclusively offer a Medical Assistant program. The 30-week program includes 24 weeks of classroom training and a six-week externship. Graduates receive a Certificate of Completion as a Medical Assistant.

Most of the processing operations are performed in Flint where Sandy had established her office in the early years. She has since relocated to the corporate office located in Southfield. Her duties include, but are not limited to, the hiring and training of the financial aid coordinators at each branch. All branch financial aid coordinators are part-time employees usually scheduled three days per week at the school. Sandy also establishes corporate policy and processes with respect to financial aid operations and monitors financial aid staff performance through performance evaluations and student surveys.

Sandy has more than her share of challenges from an operational perspective. Selecting a branch financial aid coordinator is a very scrutinizing process, as Ross Learning, Inc. has high expectations for the prospective employee. Sandy is very forthcoming to prospective branch coordinators during the interview process. She lays out the responsibilities that are required and the complexity of the program that they are responsible to administer. It is a very demanding job for a part-time employee to master, but what makes it palatable is the strong support given by Sandy and her veteran corporate sidekick Carol Blevins. The rewards are many for Sandy working in this field. Helping students fulfill a goal and witnessing the success stories brings joy and self-satisfaction. "Education can absolutely change people's lives," Sandy noted, "and when you have a hand in making that happen it is uplifting." Sandy also gets much satisfaction from seeing the branch coordinators develop and gain confidence in their ability to serve students.

*(Continued on the next page.)*

Sandy has witnessed huge progress in the regulatory process affecting how schools administer financial aid. The only change she would recommend would be the refund calculation in the Return of Title IV Funds process. As she sees it, the process is not always fair to students as presently structured.

Industry partnerships with the Michigan Higher Education Student Loan Authority (MHESLA) and the Michigan Guaranty Agency (MGA) have been a great help to Sandy. The school also has a contract with a management company, Financial Aid Management for Education (FAME) which is a valuable resource. The U.S. Department of Education (ED) has also provided training and oversight that has been helpful.

Ross Learning, Inc. performs self-evaluation through annual compliance audits at each of their branches. They look at such competencies as timeliness of processing, accuracy and consistency of information, distribution of rights and responsibilities, and counseling. They also survey students during school and at graduation to evaluate how campus staff met their needs. Special attention is given on an individual basis during admissions, counseling, training, and placement. As an added proactive service, all Ross students are contacted by a repayment advisor to help with any repayment issues they may have.

If retirement were an option, Sandy would spend her time involved in volunteer work. She currently volunteers at church and is active with the high school athletic booster club. Her family presently owns a home in Sugar Springs, in northern Michigan, which would be her preferred base of operations for retirement. Sandy has no plans to retire any time soon, however. After all, she has two boys, Nathan, a senior in high school, and Andrew, a junior. They both are on the path to graduating with high honors and will be off to college soon. Sandy and her husband have undoubtedly provided a very education-driven environment for the boys in their Shelby Township home.

The rewards Sandy has expressed that come from her position as Financial Aid Director at Ross Medical Education Center seem to parallel the rewards of parenthood she is experiencing through her sons. What a wonderfully fulfilling life both can be!

### **NEW CUSTOMER SERVICES REPRESENTATIVE**

The Michigan Guaranty Agency is pleased to introduce Phil Trapp, our newest representative in the Customer Services Unit. Phil joined our agency in May, and he has already established himself as a wonderful asset to MGA, and to the schools, borrowers, and lenders he assists.

Phil comes to MGA from Washtenaw Community College where he worked the last two years as the Coordinator for Evening and Extension Services. In that capacity, he was responsible for coordinating admissions, registration, academic advising, and financial aid programming at an off-site campus facility.

Prior to his work at Washtenaw Community College, Phil was employed at Concordia University, his alma mater, in Ann Arbor. He worked nine years for Concordia, beginning in the Office of Admission and eventually transferring to the Athletic Department.

Phil lives with his wife Lori and son Benjamin in Ypsilanti. They enjoy sports -- particularly baseball, camping, and gardening. Benjamin, who is almost two and a half, has his own favorite pastime these days. Their neighborhood is dealing with water main repairs and road construction, and Benjamin is having a great time watching all the activity right in front of his house.

Phil can be reached at 1-800-642-5626, extension 30762, or via email at [trapp@michigan.gov](mailto:trapp@michigan.gov). If you have not yet had the opportunity to speak with Phil, please join us in welcoming him to the agency.

### **ORDER APPLICATIONS ONLINE**

MGA has added an online order form for Master Promissory Notes (MPNs), PLUS MPNs, and School Certification forms. Currently a link to the form is located under "Resources," then "Forms," and "MGA Application Order Form." Shortly, another link will be added under "Resources" and "Ordering MGA Supplies." The form is functional and includes an area to provide information for customized forms with school or lender information.

### **SUPPLEMENTAL INFORMATION FOR CONSOLIDATION LOANS**

Included in revised regulations issued by ED that became effective on July 1, 2003, a Consolidation loan borrower may receive certain loan discharges that would have been available if the original loans had not been consolidated. ED recently approved supplemental information to be used with the existing Federal Consolidation Loan Application and Promissory Note. This supplemental information notifies Consolidation loan borrowers of the additional loan discharge provisions.

In the circumstances outlined below, a portion of a Consolidation loan may qualify for discharge if the documentation required under the regulations is submitted to the holder of the loan.

- Death of a dependent student when a PLUS Loan obtained for the student has been consolidated

Upon the death of a dependent student, the portion of a Consolidation loan attributable to a PLUS loan obtained for that student is eligible for discharge. The parent borrower of the Consolidation loan remains responsible for repaying the remainder of the Consolidation loan.

- Death of a joint Consolidation loan borrower

If one of the borrowers of a joint Consolidation loan dies, the portion of the Consolidation loan attributable to that borrower is eligible for discharge. The surviving borrower remains responsible for repaying the remainder of the Consolidation loan.

- Total and permanent disability of a joint Consolidation loan borrower.

If one of the borrowers of a joint Consolidation loan becomes totally and permanently disabled, the portion of the Consolidation loan attributable to that borrower may be eligible for discharge. Both borrowers remain responsible for repaying the remainder of the Consolidation loan.

MGA mailed a copy of the supplemental information to our lender clients earlier this month, and our school clients received this

information electronically in late June. However, if you would prefer to have the supplemental information e-mailed to you in Microsoft Word format, which would allow the document to be easily updated with your lender information, please contact Pat Fromm at extension 36076, or via e-mail at [frommp@michigan.gov](mailto:frommp@michigan.gov).

Tom Montgomery, Claim Review, is available to answer any questions you may have regarding these revised regulations. Contact him at extension 36622 or via e-mail at [montgomeryt@michigan.gov](mailto:montgomeryt@michigan.gov).

### **UPDATED PAYMENT CHARTS**

Attached to this issue of *Educational Loan Notes* are versions of the "Estimated Monthly Repayment Schedule" and "Estimated Monthly In-School Interest Payment" charts that have been updated to reflect the current interest rates. Also included is a new chart, the "Estimated Amount of Interest Saved Making Payments on a Subsidized Loan during Grace Period" that illustrates the interest saved if a borrower makes payments during the grace period.

You may make copies of these charts for your borrowers, or they are available from MGA in quantity (black and white) by contacting the School Services Unit at extension 36074.

### **FORBEARANCE AND DEFERMENT ELIGIBILITY CHARTS**

MGA has created forbearance and deferment eligibility charts that can be made available to student loan borrowers. Each type of deferment and forbearance is noted, along with details regarding the eligibility and time limit for each.

Copies of both charts are attached to this issue of *Educational Loan Notes*. If you would like to order them in quantity, please contact the School Services Unit at extension 36074.



### SPECIAL ALLOWANCE RATES

Special allowance rates based on the 91-day Treasury Bill (T-bill) average and the three-month commercial paper average for the quarter ending June 30, 2003, are attached to this issue of *Educational Loan Notes*. The average of the bond equivalent rates of the 91-day T-bills auctioned during the quarter ending June 30, 2003, is **1.06%**.

All new Federal Family Education Loan Program (FFELP) loans disbursed on or after January 1, 2000, are paid special allowance, if eligible, based on the commercial paper rate. The average of the bond equivalent rates of the quotes of the three-month commercial paper (financial) rates in effect for each of the days in the quarter ending June 30, 2003, is **1.17%**.

### NEW VARIABLE INTEREST RATES FOR CONSTANT MATURITY TREASURY YIELD LOANS

Attached to this issue of *Educational Loan Notes* is a revised interest rate chart that contains the new variable interest rates for PLUS and SLS loans that are indexed to the one-year constant maturity Treasury yield. Existing PLUS and SLS variable rate loans made prior to July 1, 1998, are calculated from the weekly average of the one-year constant maturity Treasury yield for the last calendar week ending on or before June 26 of each year. That weekly average was 0.95%. The new interest rates which became effective July 1, 2003, are 4.20% and 4.05%, depending on the disbursement date.

Lenders and lender servicers are reminded not only to use the new rates for loans originated on or after July 1, 2003, but also to update all existing Stafford, PLUS, and SLS variable rate loans to the new rates. If you have any questions, please contact Betty Calloway at extension 39639.

### THE "ED" PIPELINE

Following is a list of some of the most recent ED correspondence for schools and lenders.

**Dear Partner**  
**July 2003**  
**GEN-03-08**

This letter replaces the Department of Education's Dear Colleague Letter (**GEN-01-02**) published in January 2001 on the inclusion of long-term debt in

the calculation of the Primary Reserve Ratio used to determine whether institutions demonstrate financial responsibility. This letter is effective for all annual financial statement audits for fiscal years ending on or after December 31, 2002.

**Dear Partner**  
**July 2003**  
**ANN-03-07**

Federal Student Aid (FSA) University is pleased to announce training on the Title IV Cash Management Life Cycle. Up to 55 workshops will be offered nationwide. The workshops will begin September 10, 2003, and will end December 12, 2003.

### **UPDATES TO THE COHORT DEFAULT RATE GUIDE CHANGE LOG**

ED's FSA Schools Channel has updated changes to the *Cohort Default Rate Guide*. To view these additional changes dated June 16, 2003, refer to <http://ifap.ed.gov/drmaterials/changelog.html>. Updates to this publication are only reflected at this Web site, therefore, periodic review of the site is recommended for maintaining an up-to-date version of the guide. Questions regarding the information contained in the document should be addressed to Frances Robinson at 202-377-3192 or by e-mail to [Frances.Robinson@ed.gov](mailto:Frances.Robinson@ed.gov).

### SCHOOL LIST UPDATES

The following changes should be recorded by lenders on MGA's "Active Michigan School List" dated January 16, 2003. If you have any questions regarding these changes, please contact Stacy Cardwell at extension 36074.

#### **Address, Telephone, and Fax Number Changes**

**Alpena Community College, Alpena,**  
**002237-00**  
New fax number: 989-958-7561.

*(Continued on the next page.)*

## LENDER LIST UPDATES

School personnel should record the following actions on the “Participating Lender List” dated May 1, 2003. Please make the appropriate changes in all sections of the list as needed. If you have any questions regarding these updates, please contact Pat Fromm at extension 36076.

## Name Changes

**EFS Finance Co. through Zions First National Bank as Eligible Lender Trustee, 824573,**  
changed its name to Nelnet Academic Loan.

**Detroit Federal Employees Credit Union, 830372**, changed its name to Peoples Trust Credit Union.

## Newly Participating Lenders

**Acapita Education Finance Corp. with U.S. Bank, N.A. as Trustee, 833963**, c/o Brazos Higher Education Service Corp., P.O. Box 14445, Austin, TX 78761. Telephone: 512-459-9208.

**Bank One, N.A. as trustee for Bosque Higher Education Authority, 808936,** c/o American Education Services, 1200 N. 7th Street, Harrisburg, PA 17102. Telephone: 800-446-8210.

**Education Solutions, Inc. through Zions First National Bank as Eligible Lender Trustee, 833820, c/o Nelnet, Inc., P.O. Box 82596, Lincoln, NE 68501-2596. Telephone: 800-755-7858.**

**Deutsche Bank ELT Pinnacle Peak Solutions, Inc., d/b/a NextStudent, 834051, c/o ACS, 2277 E. 220<sup>th</sup> Street, CA-FM-540-02R, Long Beach, CA 90810-1639. Telephone: 800-835-4611.**

## Joined Referral Program

The following lenders have joined the Standard Federal referral loan program. Their address is: c/o Nelnet, Inc., P.O. Box 82596, Lincoln, NE 68501-2596. Telephone: 800-755-7858.

222013	Mercantile Bank of West Michigan
824909	Miners State Bank

02253-01 Davenport University, Flint  
06770-00 Davenport University, Saginaw  
06770-01 Davenport University, Midland  
06770-02 Davenport University, Bad Axe  
06770-03 Davenport University, Caro  
06770-04 Davenport University, Bay City





---

## Calendar of Upcoming Events

### September

- 1 MGA Office Closed
- 10-12 Association of Community Bankers  
Grand Traverse Resort & Spa  
Acme, Michigan
- 23 Guaranty Agency Advisory Committee Meeting  
University Club  
Michigan State University  
East Lansing, Michigan
- 24-26 Michigan Bankers Association  
Retail Lending Conference  
Shanty Creek  
Bellaire, Michigan

### October

- 12-15 MASFAA Conference  
Hilton Milwaukee City Center/Midwest Center  
Milwaukee, Wisconsin



**MICHIGAN**  
Guaranty Agency

# Federal Family Education Loan Program

## Estimated Monthly Repayment Schedule

(Based on Standard Repayment Plan)



**MICHIGAN**  
Guaranty Agency

Loan Amount	# of Pmts	Pmt	Finance Charge @ 3.42% Int. Rate*	Pmt	Finance Charge @ 4.06% Int. Rate*	Pmt	Finance Charge @ 5% Int. Rate*	Pmt	Finance Charge @ 5.25% Int. Rate*	Pmt	Finance Charge @ 5.5% Int. Rate*	Pmt	Finance Charge @ 5.75% Int. Rate*	Pmt	Finance Charge @ 6% Int. Rate*
\$1,000	21	\$50.00	\$31	\$50.00	\$37	\$50.00	\$46	\$50.00	\$49	\$50.00	\$51	\$50.00	\$54	\$50.00	\$56
2,000	43	50.00	127	50.00	153	50.00	192	50.00	203	50.00	214	50.00	226	50.00	237
2,625	57	50.00	223	50.00	270	50.00	343	50.00	364	50.00	385	50.00	406	50.00	428
3,000	66	50.00	295	50.00	359	50.00	459	50.00	487	50.00	516	50.00	546	50.00	576
4,000	91	50.00	546	50.00	672	50.00	876	50.00	934	50.00	994	50.00	1,057	50.00	1,121
5,000	120	50.00	894	50.77	1,092	53.03	1,364	53.65	1,438	54.26	1,511	54.88	1,586	55.51	1,661
6,000	120	59.11	1,093	60.92	1,310	63.64	1,637	64.38	1,725	65.12	1,814	65.86	1,903	66.61	1,993
7,000	120	68.96	1,275	71.07	1,529	74.25	1,910	75.10	2,013	75.97	2,116	76.84	2,221	77.71	2,326
8,000	120	78.81	1,457	81.22	1,747	84.85	2,182	85.83	2,300	86.82	2,419	87.82	2,538	88.82	2,658
9,000	120	88.66	1,639	91.38	1,965	95.46	2,455	96.56	2,588	97.67	2,721	98.79	2,855	99.92	2,990
10,000	120	98.51	1,821	101.53	2,184	106.07	2,728	107.29	2,875	108.53	3,023	109.77	3,172	111.02	3,322
12,000	120	118.21	2,186	121.84	2,620	127.28	3,273	128.75	3,450	130.23	3,628	131.72	3,807	133.22	3,987
15,000	120	147.77	2,732	152.30	3,275	159.10	4,092	160.94	4,313	162.79	4,535	164.65	4,758	166.53	4,984
20,000	120	197.02	3,643	203.06	4,367	212.13	5,456	214.58	5,750	217.05	6,046	219.54	6,345	222.04	6,645
23,000	120	226.58	4,190	233.52	5,022	243.95	6,274	246.77	6,612	249.61	6,953	252.47	7,296	255.35	7,642
30,000	120	295.53	5,464	304.59	6,551	318.20	8,184	321.88	8,625	325.58	9,069	329.31	9,517	333.06	9,967
40,000	120	394.05	7,285	406.12	8,735	424.26	10,911	429.17	11,500	434.11	12,093	439.08	12,689	444.08	13,290
46,000	120	453.15	8,378	467.04	10,045	487.90	12,548	493.54	13,225	499.22	13,906	504.94	14,593	510.69	15,283
50,000	120	492.56	9,107	507.65	10,918	530.33	13,639	536.46	14,375	542.63	15,116	548.85	15,862	555.10	16,612
60,000	120	591.07	10,928	609.18	13,102	636.39	16,367	643.75	17,250	651.16	18,139	658.62	19,034	666.12	19,935
65,000	120	640.33	11,839	659.95	14,194	689.43	17,731	697.40	18,688	705.42	19,650	713.50	20,620	721.63	21,596

\*Figures in this column indicate approximate **total** interest amount you will pay over the life of your **loan**. Annual variable interest rates are capped at 8.25%.

**NOTE:** Minimum monthly payment is \$50. Borrowers with variable interest rates should contact their lenders to determine current rates and/or monthly payment amounts.

[Michigan.gov/mistudentaid](http://Michigan.gov/mistudentaid)

## Examples of Debt Levels, Beginning Monthly Payments, and Total Amounts Repaid for All FFELP and FDLP Repayment Plans<sup>1</sup>

Initial Debt When Loan Enters Repayment	Standard FFELP and FDLP		Graduated* FFELP 120-Month Repayment		Graduated* FDLP 180-Month Repayment		Income-Sensitive FFELP		Income-Contingent FDLP Income - \$25,000 <sup>2</sup>				Extended FDLP	
									Single		Married/HOH <sup>3</sup>			
	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total	Per Month	Total
\$2,500	\$50.00	\$2,701	\$30.00	2,793	\$25.00	\$2,950	Contact your lender for more information. Payments are based on a percentage of your gross annual income. Payments can be adjusted annually. Loan must be repaid within 120 months.		\$16.70	\$3,220	\$15.70	\$3,270	\$50.00	\$2,701
5,000	50.00	5,894	30.00	6,052	25.00	6,351			33.39	6,440	31.40	6,541	50.00	5,894
7,500	73.88	8,866	41.17	9,196	36.94	9,536			50.09	9,660	47.11	9,811	63.57	9,154
10,000	98.51	11,821	54.90	12,261	49.26	13,270			66.78	12,881	62.81	13,082	71.10	12,798
15,000	147.77	17,732	82.34	18,392	73.88	19,904			100.18	19,321	94.21	19,622	106.64	19,195
20,000	197.02	23,642	109.79	24,523	98.51	28,240			133.57	25,761	125.61	26,163	115.17	27,641
25,000	246.28	29,554	137.24	30,654	123.14	35,299			166.96	32,202	157.02	32,704	143.96	34,550
30,000	295.53	35,464	164.69	36,784	147.77	42,359			200.35	38,642	188.42	39,245	172.76	41,462
40,000	394.05	47,286	219.58	49,046	197.02	59,643			267.13	51,522	217.67	52,828	198.54	59,562
50,000	492.56	59,107	274.48	61,307	246.28	74,554			269.00	65,748	217.67	68,449	248.17	74,451
75,000	738.84	88,661	411.72	91,961	369.42	117,334			269.00	108,646	217.67	115,230	333.44	120,038
100,000	985.12	118,214	548.96	122,614	492.56	156,445			269.00	160,629	217.67	149,359	444.59	160,052

<sup>1</sup>Payments are calculated using the current repayment interest rate for student borrowers, 3.42 percent.

<sup>2</sup>Assumes a 5 percent annual income growth (Source: Census Bureau).

<sup>3</sup>HOH is Head of Household. Assumes a family size of two.

\*Under Graduated repayment the monthly payment amount will increase every two years throughout the ten-year repayment schedule.

### REPAYMENT PLANS for the Federal Family Education Loan Program (FFELP) and Federal Direct Loan Program (FDLP).

**Standard (FFELP and FDLP)**—This plan provides for a fixed monthly payment of at least \$50 for up to ten years. Well suited for borrowers with loan balances of \$10,000 or less or for borrowers with higher loan balances and sufficient income to make monthly payments. Minimizes total interest charges, offers a stable payment scheduled, and secures a faster payoff.

**Graduated (FFELP and FDLP)**—Appealing to borrowers with at least \$10,000 in loans, those who have other financial obligations requiring attention, or whose incomes start low but increase steadily. Lower initial payments with a predictable schedule, but the borrower will pay higher interest costs than under the Standard repayment plan.

**Income-Sensitive (FFELP)**—Attractive to borrowers with loan balances of \$10,000 or more, those at risk of defaulting, or those anticipating initially low incomes that are expected to increase as time passes. Repayment terms can be adjusted annually to adapt to income changes, but by reducing early payments and extending the repayment period, long-term interest cost will increase.

**Income-Contingent (FDLP)**—Attractive to borrowers with loan balances of \$10,000 or more, those at risk of defaulting, or those anticipating initially low incomes that are expected to increase as time passes. Payments rise and fall with income changes, but borrowers with low or modest incomes and large loan balances may experience a major negative amortization and incur extensive interest expenses.

**Extended (FFELP)**—Available to first time-borrowers on or after October 7, 1998. Loans must total \$30,000 or more. Loan repayment has a fixed or graduated repayment amount paid over an extended period of time, with a maximum of 25 years.

**Extended (FDLP)**—Appropriate for borrowers with loan balances of \$10,000 or more or for borrowers who are facing monetary difficulties and want to reduce their monthly payments. Reduces monthly payments, providing long-term budget relief, although long-term interest costs will rise substantially.

**Consolidation (FFELP and FDLP)**—Appealing to borrowers with large education debts because it offers the flexibility to combine multiple educational loans into a single loan.





# ESTIMATED MONTHLY IN-SCHOOL INTEREST PAYMENT



Students who choose to pay interest on their loans while in school can save on total interest paid  
and also realize lower monthly payments after they leave school.

(Formula used: Principal x Interest ) ÷ 12 months)

PRINCIPAL	2.82%	3.50%	4.00%	4.25%	4.50%	4.75%	5.00%	5.25%	5.50%	5.75%	6.00%	6.25%	6.50%	6.75%
\$500	\$1.18	\$1.46	\$1.67	\$1.77	\$1.88	\$1.98	\$2.08	\$2.19	\$2.29	\$2.40	\$2.50	\$2.60	\$2.71	\$2.81
1,000	2.35	2.92	3.33	3.54	3.75	3.96	4.17	4.38	4.58	4.79	5.00	5.21	5.42	5.63
1,500	3.53	4.38	5.00	5.31	5.63	5.94	6.25	6.56	6.88	7.19	7.50	7.81	8.13	8.44
2,000	4.70	5.83	6.67	7.08	7.50	7.92	8.33	8.75	9.17	9.58	10.00	10.42	10.83	11.25
2,500	5.88	7.29	8.33	8.85	9.38	9.90	10.42	10.94	11.46	11.98	12.50	13.02	13.54	14.06
3,000	7.05	8.75	10.00	10.63	11.25	11.88	12.50	13.13	13.75	14.38	15.00	15.63	16.25	16.88
3,500	8.23	10.21	11.67	12.40	13.13	13.85	14.58	15.31	16.04	16.77	17.50	18.23	18.96	19.69
4,000	9.40	11.67	13.33	14.17	15.00	15.83	16.67	17.50	18.33	19.17	20.00	20.83	21.67	22.50
4,500	10.58	13.13	15.00	15.94	16.88	17.81	18.75	19.69	20.63	21.56	22.50	23.44	24.38	25.31
5,000	11.75	14.58	16.67	17.71	18.75	19.79	20.83	21.88	22.92	23.96	25.00	26.04	27.08	28.13
5,500	12.93	16.04	18.33	19.48	20.63	21.77	22.92	24.07	25.21	26.36	27.50	28.65	29.79	30.94
6,000	14.10	17.50	20.00	21.25	22.50	23.75	25.00	26.25	27.50	28.75	30.00	31.25	32.50	33.75
6,500	15.28	18.96	21.67	23.02	24.38	25.73	27.08	28.44	29.79	31.15	32.50	33.85	35.21	36.56
7,000	16.45	20.42	23.33	24.79	26.25	27.71	29.17	30.63	32.08	33.54	35.00	36.46	37.92	39.38
7,500	17.63	21.88	25.00	26.56	28.13	29.69	31.25	32.81	34.38	35.94	37.50	39.06	40.63	42.19
8,000	18.80	23.33	26.67	28.33	30.00	31.67	33.33	35.00	36.67	38.33	40.00	41.67	43.33	45.00
8,500	19.98	24.79	28.33	30.10	31.88	33.65	35.42	37.19	38.96	40.73	42.50	44.27	46.04	47.81
9,000	21.15	26.25	30.00	31.88	33.75	35.63	37.50	39.38	41.25	43.13	45.00	46.88	48.75	50.63
9,500	22.33	27.71	31.67	33.65	35.63	37.60	39.59	41.57	43.54	45.52	47.50	49.48	51.46	53.44
10,000	23.50	29.17	33.33	35.42	37.50	39.58	41.67	43.75	45.83	47.92	50.00	52.08	54.17	56.25

NOTE: Most lenders/servicers mail statements on a quarterly basis, but the interest may be paid monthly with arrangements made through the lender/servicer.

*Michigan Guaranty Agency; School Services Section; P.O. Box 30047; Lansing, MI 48909; 1-800-642-5626, Extension 36074*

[Michigan.gov/mistudentaid](http://Michigan.gov/mistudentaid)

continued

**EXAMPLE 1 - Carol borrows \$18,000 total during her four years in school and pays monthly interest payments while in school.**

Monthly interest payment based on	1st Year--1st Loan	\$ 13.33 based on \$4,000 borrowed
4% capitalized once at repayment:	2nd Year--2nd Loan	\$ 26.67 based on an additional \$4,000 borrowed
	3rd Year--3rd Loan	\$ 43.33 based on an additional \$5,000 borrowed
	4th Year--4th Loan	\$ 60.00 based on an additional \$5,000 borrowed

**Total interest paid over four years during school = \$1,719.96**

**Repayment**

Monthly payment (principal and interest) based on a ten-year payback = **\$182.24**

*Monthly payment if interest had not been paid during school = \$199.65*

Total amount paid for the loan = **\$21,868.80**

*Total amount of loan if interest had not been paid during school = \$23,958.00*

**Carol would save \$2,089.20 in interest over ten years by making interest payments during school.**

**EXAMPLE 2 - John borrows \$9,000 total during his four years in school and pays monthly interest payments while in school.**

Monthly interest payment based on	1st Year--1st Loan	\$ 3.33 based on \$1,000 borrowed
4% capitalized once at repayment:	2nd Year--2nd Loan	\$ 10.00 based on an additional \$2,000 borrowed
	3rd Year--3rd Loan	\$ 20.00 based on an additional \$3,000 borrowed
	4th Year--4th Loan	\$ 30.00 based on an additional \$3,000 borrowed

**Total interest paid over four years during school = \$759.96**

**Repayment**

Monthly payment (principal and interest) based on a ten-year payback = **\$91.12**

*Monthly payment if interest had not been paid during school = \$98.81*

Total amount paid for the loan = **\$10,934.40**

*Total amount of loan if interest had not been paid during school = \$11,857.20*

**John would save \$922.80 in interest over ten years by making interest payments during school.**

**BENEFITS OF PAYING INTEREST WHILE IN SCHOOL**

**★ Monthly payments are lower during repayment ★**

**★ Total interest paid is less ★**



# Federal Family Education Loan Program

## Estimated Amount of Interest Saved Making Payments on a Subsidized Loan during the Grace Period



Loan Amount	# of Pmts During Grace Period	Pmt	Interest Saved @ 2.82% Int. Rate	Pmt	Interest Saved @ 5% Int. Rate	Pmt	Interest Saved @ 5.25% Int. Rate	Pmt	Interest Saved @ 5.5% Int. Rate	Pmt	Interest Saved @ 5.75% Int. Rate	Pmt	Interest Saved @ 6% Int. Rate	Pmt	Interest Saved @ 6.25% Int. Rate
\$1,000	6	\$50.00	\$81.50	\$50.00	\$155.94	\$50.00	\$165.14	\$50.00	\$174.49	\$50.00	\$183.98	\$50.00	\$193.61	\$50.00	\$203.39
2,000	6	50.00	90.57	50.00	176.57	50.00	187.43	50.00	198.50	50.00	209.79	50.00	221.29	50.00	233.02
2,625	6	50.00	92.81	50.00	181.86	50.00	193.16	50.00	204.70	50.00	216.48	50.00	228.52	50.00	240.78
3,000	6	50.00	93.71	50.00	184.02	50.00	195.50	50.00	207.23	50.00	219.22	50.00	231.47	50.00	243.97
4,000	6	50.00	95.31	50.00	187.85	50.00	199.67	50.00	211.76	50.00	224.12	50.00	236.76	50.00	249.66
5,000	6	50.00	96.28	53.03	201.12	53.65	216.20	54.26	231.78	54.88	247.98	55.51	264.83	56.14	282.33
6,000	6	57.44	110.80	63.64	241.36	64.38	259.44	65.12	278.16	65.86	297.59	66.61	317.79	67.37	338.80
7,000	6	67.01	129.27	74.25	281.59	75.10	302.65	75.97	324.51	76.84	347.20	77.71	370.75	78.60	395.27
8,000	6	76.59	147.75	84.85	321.80	85.83	345.89	86.82	370.86	87.82	396.81	88.82	423.75	89.82	451.70
9,000	6	86.16	166.21	95.46	362.03	96.56	389.13	97.67	417.20	98.79	446.38	99.92	476.71	101.05	508.18
10,000	6	95.73	184.67	106.07	404.54	107.29	432.37	108.53	463.59	109.77	496.00	111.02	529.67	112.28	564.65
12,000	6	114.88	221.61	127.28	482.71	128.75	518.85	130.23	556.29	131.72	595.18	133.22	635.58	134.74	677.60
15,000	6	143.60	277.01	159.10	603.39	160.94	648.57	162.79	695.37	164.65	743.97	166.53	794.50	168.42	846.98
20,000	6	191.46	369.34	212.13	804.51	214.58	864.73	217.05	927.14	219.54	991.99	222.04	1059.34	224.56	1129.30
23,000	6	220.18	424.74	243.95	925.19	246.77	994.46	249.61	1066.22	252.47	1140.79	255.35	1218.26	258.24	1298.68
30,000	6	287.20	554.02	318.20	1206.78	321.88	1297.14	325.58	1390.73	329.31	1487.99	333.06	1589.01	336.84	1693.95
40,000	6	382.93	738.69	424.26	1609.02	429.17	1729.51	434.11	1854.32	439.08	1983.99	444.08	2118.67	449.12	2258.60
46,000	6	440.37	849.50	487.90	1850.37	493.54	1988.91	499.22	2132.45	504.94	2281.57	510.69	2436.47	516.49	2234.81
50,000	6	478.66	923.36	530.33	2011.29	536.46	2161.87	542.63	2317.88	548.85	2479.98	555.10	2648.34	561.40	2823.25
60,000	6	574.39	1108.03	636.39	2413.53	643.75	2594.24	651.16	2781.47	658.62	2975.98	666.12	3178.01	673.68	3387.90
65,000	6	622.26	1200.37	689.43	2614.68	697.40	2810.44	705.42	3013.24	713.50	3223.95	721.63	3442.85	729.82	3670.23

THIS CHART CALCULATES YOUR POTENTIAL INTEREST SAVINGS ON YOUR SUBSIDIZED STAFFORD LOAN WHEN YOU PAY DURING YOUR GRACE PERIOD



# FORBEARANCE ELIGIBILITY CHART



TYPE	LENGTH
Discretionary	
Financial difficulties due to personal problems when the borrower is unable to make regularly scheduled payments <sup>1</sup> .	The period established in the terms of the forbearance agreement (not to exceed 12-month increments); no maximum.
Reduced-payment forbearance <sup>1</sup>	
Mandatory	
Medical or dental internship/residency <sup>2, 3</sup>	12-month increments (or a lesser period equal to actual period during which the borrower is eligible); no maximum.
Department of Defense student loan repayment programs <sup>3</sup>	
National service <sup>2, 3</sup>	
Loan forgiveness for child care providers <i>Note: Contingent upon funding by Congress.</i>	<i>Note: Procedures for this forbearance type are currently being discussed by the financial aid industry and the U.S. Department of Education.</i>
Debt exceeds monthly income <sup>4, 5</sup>	12-month increments; three (3) years maximum.
Teacher Loan Forgiveness <sup>2, 3</sup>	Period while borrower maintains forgiveness eligibility. 12-month increments; five (5) years maximum.
Mandatory Administrative	
Local or national emergency <sup>7</sup>	Period specified by the U.S. Department of Education or guarantor, plus 30 days following the period.
Military mobilization <sup>8</sup>	
Designated disaster area <sup>7</sup>	
Repayment accommodation	Three-year maximum for variable interest rate; Five-year maximum for income-sensitive repayment.
Death	Date lender receives reliable notification of death to date lender receives death certificate or other acceptable documentation, not to exceed 60 days.
Teacher Loan Forgiveness <sup>2, 6</sup>	The period while the lender is awaiting a completed loan forgiveness application, not to exceed 60 days.
	Date lender receives a completed loan forgiveness application to date lender receives either a denial or the loan forgiveness amount from the guarantor.
Administrative	
Borrower ineligible for deferment <sup>6</sup>	Beginning date to ending date of the ineligible deferment.
Delinquency before a deferment or certain forbearances <sup>6</sup>	First date of overdue payment to the day before the beginning date of deferment or other forbearance type.
Late notification of out-of-school dates <sup>6</sup>	Date borrower should have entered repayment to date first or next payment was established.
Bankruptcy filing <sup>6</sup>	The earlier of the first date of overdue payment or receipt of reliable information that the borrower has filed bankruptcy to date of discharge determination or repurchase.
Total and Permanent Disability <sup>6</sup>	Date lender receives reliable information to date lender receives acceptable documentation, not to exceed 60 days.
	Date lender receives physician's written request for additional time to date lender receives acceptable documentation, not to exceed 60 days.
Repurchase of a non-bankruptcy claim <sup>6</sup>	The period that the loan was held by the guarantor due to a claim purchase.
Death	Date after mandatory administrative forbearance due to reliable notification of death ends to date lender receives death certificate or other acceptable documentation, not to exceed 60 days.
Closed school	Period of unofficial closure notice as specified by guarantor.
Closed school or false certification <sup>6</sup>	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination.
Delinquency after deferment or Mandatory Forbearance <sup>6</sup>	Deferment or mandatory forbearance end date to establishment of next payment due date.
Documentation collection and processing <sup>6</sup>	Date borrower requests deferment, forbearance, change in repayment plan, or loan consolidation to date supporting documentation is processed by lender, not to exceed 60 days.
Unpaid refund discharge	60 days from date application sent to borrower if application is not received by lender, and from date guarantor receives documentation to date of determination.
	The period during guarantor review and ending on the date lender receives the guarantor's determination for a borrower who requests a review of a denial determination.
Unpaid refund <sup>6</sup>	End date of initial 60-day mandatory administrative forbearance to receipt of completed discharge request, and during period of determination of discharge eligibility.
New out-of-school dates after conversion <sup>6</sup>	Original repayment start date to adjusted start date.
Loan sale or transfer <sup>6</sup>	First date of delinquency to date loan is sold or transferred, if the loan is less than 60 days delinquent.
Ineligible summer bridge extension <sup>6</sup>	Day after expiration of borrower's last in-school deferment to the 30 <sup>th</sup> day after fall classes begin.
Cure <sup>6</sup>	Date of earliest unexcused violation to date lender receives a full payment or new signed repayment agreement.
Natural disasters, local or national emergencies, military mobilization <sup>6</sup>	From date borrower affected, not to exceed three (3) months for each occurrence.
Repayment alignment-SLS/Stafford <sup>4</sup>	First payment due date to last day of the longest applicable Stafford loan grace period.

**Note: For more detailed information regarding each forbearance situation, please contact your lender.**

<sup>1</sup> Lender must document the borrower's request, the reason for the forbearance, and the terms of the forbearance agreement.

<sup>2</sup> For borrowers only.

<sup>3</sup> A request, supporting documentation from the authorized official(s) indicating the beginning and ending dates, and written agreement are required.

<sup>4</sup> A request is required.

<sup>5</sup> A request, supporting documentation of monthly income and monthly payments on Title IV education loan obligations, and written agreement are required.

<sup>6</sup> Lender must notify the borrower (or endorser, if applicable) and document the beginning and ending dates and reason for the forbearance in borrower history record.

<sup>7</sup> Notice from the U.S. Department of Education or guarantor is required.

<sup>8</sup> Documentation showing borrower is subject to a military mobilization is required.



# DEFERMENT ELIGIBILITY CHART



FORM	DEFERMENT TYPE	TIME LIMIT	STAFFORD AND SLS LOANS			PLUS LOANS				CONSOLIDATION LOANS	
			Pre-7/1/87 Borrower	New <sup>1</sup> Borrower 7/1/87 to 6/30/93	New <sup>2</sup> Borrower 7/1/93	Loans Before 8/15/83	Pre-7/1/87 Borrower	New <sup>1</sup> Borrower 7/1/87 to 6/30/93	New <sup>2</sup> Borrower 7/1/93	Borrower <sup>7</sup> Consolidated Before 7/1/93	New <sup>2</sup> Borrower 7/1/93
SCH	In-School: Full-time	none	•	•	•	•	•	•	•	•	•
	In-School: Half-time	none		•	•			•	•	•	•
EDU	Graduate fellowship	none	•	•	•	•	•	•	•	•	•
	Rehabilitation training	none	•	•	•	•	•	•	•	•	•
	Teacher shortage	3 years		•							
	Internship/Residency training	2 years	•	•		•					
TDIS	Temporary Total Disability <sup>3</sup>	3 years	•	•		•	•	•		•	
PUB	Armed Forces or Public Health Services <sup>4</sup>	3 years	•	•		•					
	National Oceanic and Atmospheric Administration Corps <sup>4</sup>	3 years		•							
	Peace Corps, ACTION Program, and Tax-exempt organization volunteer	3 years	•	•		•					
UNEM	Unemployment	2 years	•	•		•	•	•		•	
	Unemployment	3 years			•				•		•
PLWM	Parental leave <sup>5</sup>	6 months	•	•							
	Mother entering/reentering work force	1 year		•							
HRD	Economic Hardship	3 years			•				•		•
PLUS <sup>6</sup>	In-School: Full-time	none				•	•	•			
	In-School: Half-time	none				•	•	•			
	Rehabilitation training	none				•	•	•			

**Note: For more detailed information regarding each deferment situation, please contact your lender.**

<sup>1</sup> New Borrower 7/1/87 to 6/30/93: A borrower whose first Federal Family Educational Loan Program (FFELP) loan was made on or after July 1, 1987, and before July 1, 1993, or who had an outstanding balance on a loan obtained on or after July 1, 1987, and before July 1, 1993, when he or she obtained a loan on or after July 1, 1993, or who had no outstanding balance on a Federal Consolidation loan made before July 1, 1993, that repaid a loan first disbursed before July 1, 1987.

<sup>2</sup> New Borrower 7/1/93: A borrower whose outstanding FFELP loans were all made on or after July 1, 1993, and when his or her first FFELP loan was made on or after July 1, 1993, had no outstanding FFELP loans that were made before July 1, 1993.

<sup>3</sup> A deferment may be granted during periods when the borrower is temporarily totally disabled or during which the borrower is unable to secure employment because the borrower is caring for a dependent (including the borrower's spouse) who is temporarily totally disabled.

<sup>4</sup> Borrowers are eligible for a combined maximum of three (3) years of deferment for service in the National Oceanic and Atmospheric Administration Corps, Public Health Services, and U.S. Armed Forces.

<sup>5</sup> A parental leave deferment may be granted to a borrower in periods of no more than six (6) months each time the borrower qualifies.

<sup>6</sup> Deferment for parent borrower during which the dependent student for whom the parent obtained a PLUS loan meets the deferment eligibility requirements.

<sup>7</sup> A borrower who received a Federal Consolidation loan that repaid a loan made before July 7, 1987, for a period of enrollment beginning before July 1, 1987, is eligible for in-school deferment only if the borrower attends school full time.

Source: *Common Manual*, July 2003

**91-DAY TREASURY BILL  
SPECIAL ALLOWANCE RATES  
FOR  
QUARTER ENDING JUNE 30, 2003**

	<b>Loan Rate</b>	<b>Special Allowance Annual Rate</b>	<b>SA Quarterly Rate</b>	<b>Part IV: Special Allowance Category Column C</b>
<b>SA</b>	7% 9%	0 0	0 0	SA - for loans made before 10/01/81.
<b>SB</b>	7% 8% 9%	0 0 0	0 0 0	SB - for Stafford (subsidized) and PLUS loans made on/after 10/01/81 but before 10/17/86, or loans made on/after 10/17/86 but before 11/16/86, for enrollment periods beginning before 11/16/86.
<b>SD</b>	7% 8% 9% FVAR10 (5.01%)  PLUS/SLS Var (5.38%)	0 0 0 0  0	0 0 0 0  0	SD - for Stafford (subsidized) and PLUS/SLS loans made on/after 10/17/86 but prior to 11/16/86 for enrollment periods beginning on/after 11/16/86. For Stafford (subsidized) and PLUS/SLS loans made on/after 11/16/86 but before 10/01/92. Also, for Stafford (unsubsidized) loans made prior to 10/01/92 for periods of enrollment beginning on/after 10/01/92.
<b>SE</b>	FVAR7 (4.86%) FVAR8 (4.86%) FVAR9 (4.86%) FVAR10 (4.86%) EVAR (4.86%)  PLUS/SLS Var (5.23%)	0 0 0 0 0  0	0 0 0 0 0  0	SE - for Stafford loans made on/after 10/01/92 but prior to 07/01/94, regardless of the enrollment period, or loans made after 07/01/94 for an enrollment period ending prior to 07/01/94. Also, for PLUS loans made on/after 10/01/92 but before 07/01/94. Also, for SLS loans made on/after 10/01/92 but before 07/01/94; or <i>certified</i> before 07/01/94 and <i>disbursed</i> after 07/01/94.
<b>SG</b>	Stafford Var (4.86%)  PLUS Var (5.23%)	0  0	0  0	SG - for Stafford loans made on/after 07/01/94 but before 07/01/95, or loans made on/after 07/01/95 but before 07/01/98, during periods of repayment or forbearance. Also, for PLUS loans made on/after 07/01/94 but before 07/01/98.
<b>SH</b>	Stafford Var (4.26%)  PLUS Var (4.86%)	0  0	0  0	SH - for Stafford loans made on/after 07/01/95 but before 07/01/98 <i>only</i> during the in-school, grace, and deferment periods. Also, for PLUS loans made on/after 07/01/98 but prior to 01/01/00.
<b>SJ</b>	Stafford Var (3.46%)	0	0	SJ - for Stafford loans made on/after 07/01/98 but prior to 01/01/00 <i>only</i> during the in-school, grace, and deferment periods.
<b>SK</b>	Stafford Var (4.06%)	0	0	SK - for Stafford loans made on/after 07/01/98 but prior to 01/01/00 <i>only</i> during the repayment and forbearance periods.

**PLEASE NOTE:** The 91-day T-bill average (bond equivalent rate) is **1.06%** for the **second** quarter of **2003**. This results in the following yields.

<b>SA</b> 1.06% plus 3.50% = 4.56%	<b>SG</b> 1.06% plus 3.10% = 4.16%
<b>SB</b> 1.06% plus 3.50% = 4.56%	<b>SH</b> 1.06% plus 2.50% = 3.56%
<b>SD</b> 1.06% plus 3.25% = 4.31%	<b>SJ</b> 1.06% plus 2.20% = 3.26%
<b>SE</b> 1.06% plus 3.10% = 4.16%	<b>SK</b> 1.06% plus 2.80% = 3.86%



**91-DAY COMMERCIAL PAPER  
SPECIAL ALLOWANCE RATES  
FOR  
QUARTER ENDING JUNE 30, 2003**

	<b>Loan Rate</b>	<b>Special Allowance Annual Rate</b>	<b>SA Quarterly Rate</b>	<b>Part IV: Special Allowance Category Column C</b>
<b>CA</b>	Stafford Var (5.39%)	0	0	<u>CA</u> - for subsidized/unsubsidized Stafford loans made on/after 01/01/00 but prior to 07/01/03, <i>only</i> during the in-school, grace, and deferment periods.
<b>CB</b>	Stafford Var (5.99%)	0	0	<u>CB</u> - for subsidized/unsubsidized Stafford loans made on/after 01/01/00 but prior to 07/01/03, during the repayment and forbearance periods <i>only</i> .
<b>CD</b>	PLUS Var (6.79%)	0	0	<u>CD</u> - for PLUS loans made on/after 01/01/00 but prior to 07/01/03. <b>Note:</b> Special allowance will not be paid unless the calculated interest rate exceeds the 9% cap.

**PLEASE NOTE:** The three-month commercial paper average (bond equivalent rate) is **1.17%** for the **second** quarter of **2003**. This results in the following yields.

<b>CA</b> 1.17% plus 1.74% = 2.91%
<b>CB</b> 1.17% plus 2.34% = 3.51%
<b>CD</b> 1.17% plus 2.64% = 3.81%

**Federal Family Education Loan Program  
Variable Rate PLUS and SLS Loan Interest Rates  
July 1, 2003, through June 30, 2004**

**REVISED**

**Table 4**

<b>INTEREST RATE FORMULA (T-BILL RATE + ADDITIONAL SUM = INTEREST RATE)</b>							
<b>Type of Loan</b>	<b>First Disbursement Made On or After</b>	<b>First Disbursement Made Before</b>	<b>91-Day Treasury Bill Rate</b>	<b>One Year Constant Maturity</b>	<b>Additional Sum</b>	<b>Cap</b>	<b>Interest Rate for the Period of 7/01/03 - 6/30/04</b>
PLUS/SLS*	N/A	10/01/92	N/A	0.95%	3.25%	12%	<b>4.20%</b>
PLUS*	10/01/92	7/01/94	N/A	0.95%	3.1%	10%	<b>4.05%</b>
SLS	10/01/92	7/01/94	N/A	0.95%	3.1%	11%	<b>4.05%</b>
PLUS	7/01/94	7/01/98	N/A	0.95%	3.1%	9%	<b>4.05%</b>
PLUS*	7/01/98	7/01/06	1.12%	N/A	3.1%	9%	<b>4.22%</b>

**\*These loans will not be subject to special allowance payments during the four quarters ending 9/30/03, 12/31/03, 3/31/04, and 6/30/04.**

# LOAN NOTES

## July 2003

<i>Financial Aid Person of the Quarter .....</i>	<i>Page 1</i>	<i>Special Allowance Rates .....</i>	<i>Page 4</i>
<i>New Customer Services Rep.....</i>	<i>Page 2</i>	<i>Variable Rates for Constant Maturity Treasury Yield Loans .....</i>	<i>Page 4</i>
<i>Order Applications Online .....</i>	<i>Page 2</i>	<i>Cohort Default Rate Guide.....</i>	<i>Page 4</i>
<i>Consolidation Loans Supplemental Information .....</i>	<i>Page 3</i>	<i>“ED” Pipeline .....</i>	<i>Page 4</i>
<i>Updated Payment Charts .....</i>	<i>Page 3</i>	<i>School Updates .....</i>	<i>Page 4</i>
<i>Forbearance/Deferment Eligibility Charts .....</i>	<i>Page 3</i>	<i>Lender Updates .....</i>	<i>Page 5</i>
		<i>Calendar of Upcoming Events.....</i>	<i>Page 6</i>